Financial Accounting and Reporting for the Higher Education Equipment Trust Fund, General Obligation Bonds, the 21st Century Bond Program, the Pooled Bond Program, Virginia Public Building Authority (VPBA), and the Virginia Energy Leasing Program (VELP)/Energy Performance Contracts

Procedures for Preparing the Financial Statement Template under GASBS No. 34

The attached procedures provide Higher Education Institutions (HEIs) with accounting and financial reporting entries for transactions associated with various financing programs under GASBS No. 34. Having all HEIs follow consistent procedures for these programs will facilitate proper reporting in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

The Higher Education Equipment Trust Fund (ETF), 21st Century Bond Program, and the Pooled Bond Program are associated with and reported by the Virginia College Building Authority (VCBA). Since VCBA is reported as a HEI in the CAFR, the Department of Accounts (DOA) must eliminate and/or reclassify some activity between VCBA and the other HEIs. For DOA to prepare proper elimination and/or reclassification entries, it is essential that all HEIs report this activity to DOA in the same manner. The procedures for these financing programs are designed to make posting the required entries a more efficient process.

The procedures for General Obligation Bonds (GOB) and Virginia Public Building Authority (VPBA) proceeds given to HEIs per Part 2 of the Appropriations Act should also provide consistency for recording activities of these programs.

These procedures also include guidance on how to report funding provided through the Virginia Energy Leasing Program (VELP) and /or Energy Performance Contracts on energy efficiency projects when funds are put in escrow for the HEI to use.

These procedures are effective for FY 2006 and thereafter.

Equipment Trust Fund

Background:
Equipment Trust Fund acquisitions are considered to be purchases. Each HEI owns the equipment immediately upon purchase and has no liability to report on its financial statements.

<u>Equipment Acquisitions</u>

A. Each HEI is allocated a specified amount to spend. As HEIs incur expenses, the HEI notifies Treasury, and Treasury then reimburses the HEIs for the amount spent. Treasury receives a wire from the Trustee (Off CARS) and deposits the reimbursement in the HEI's Fund 0300, GLA 547, Suspense Account – Deposits Pending Distribution or in the account requested by the HEI. HEIs use ATV's to distribute the money to the proper account(s).

Please use the following table as guidance in preparing the ETF entries for the institution. (Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

College/University Accounting Entry	ETF Activity
Expenses Cash To record expenses for the purchase of equipment	Institution purchases approved equipment, subject to reimbursement by VCBA.
Capital Asset – Equipment Expenses To reclassify capitalizable equipment purchased	Institution purchases approved equipment subject to reimbursement by VCBA and equipment meets capitalization criteria.

Cash
    Capital gifts and grants (ETF)
    Other gifts and grants (ETF)
 	
To record reimbursement from VCBA
	VCBA reimburses the institution for purchase of equipment (capitalizeable and noncapitalizeable).

Equipment Trust Fund (continued)

<u>Equipment Acquisitions:</u>

College/University Accounting Entry	ETF Activity
Capital Assets (for capitalizable equipment) Expenses (for noncapitalizable equipment) Accounts Payable To record equipment expenses that represent payables at June 30	Institution identifies payable vouchers at June 30.

Due from the Commonwealth
        Capital gifts and grants (ETF)
        Other gifts and grants (ETF)
 	
To record a Due from the Commonwealth for unreimbursed expenses at June 30
	Institution has unreimbursed expenses at June 30.

General Obligation Bonds

Each HEI receives a specified amount of General Obligation Bond (GOB) proceeds to finance capital projects. The bonds were initially issued by the Department of Treasury in May 1993, and subsequent issuances have followed. The Department of Planning and Budget determines the allocation of the bond issuances to each HEI. Annual allotments are made representing the portion of the allocation available for expenses related to approved capital projects.

In some cases, the total amount allotted is greater than the original allocation; however, some HEIs may have total allotments that are less than the original allocation. The following outlines procedures to be used for all GOB activity. **These procedures should not be used for each individual project, but should be used for the total of all GOB capital projects.**

A. Calculate the total project-to-date allotments per CARS for fund 0811. This includes all projects the HEI has in fund 0811.

How to calculate project-to-date allotments?	CARS expenses (fund 0811, GLA 901 and 902) for FY 1993 through FY 2005 Plus FY 2006 CARS allotments (fund 0811, GLA 102) Equals Total project-to-date allotments

B. Compare project-to-date allotments (from Step A.) to the Appropriation Revenue reported by the HEI for FY 1993 through FY 2005. The result of that comparison will be an adjustment to either increase or decrease Appropriation Revenue. Use the following table to determine the appropriate entry for the HEI's Appropriation Revenue.

If project-to-date allotments are (greater / less) than total appropriation revenue for FY 1993 through FY 2005,	Then recognize	Entry
Greater	Additional appropriation available and appropriation revenue.	Appropriation Available – GOB Appropriation Revenue-GOB
Less	A reversion to the Commonwealth.	Appropriation Revenue – GOB Due to the Commonwealth

General Obligation Bonds (continued)

Use the following to assist in verification of Appropriation Revenue.

How to verify appropriation revenue from Step B?	Total GOB appropriation revenue (less reversions/plus Due from the Commonwealth, if applicable) reported on the financial statements for FY 1993 through FY 2006 should equal the calculated amount for project-to-date allotments in Step A.

C. Expenses per CARS (fund 0811, GLA 901, 902) must be recorded for the fiscal year. Treasury reimbursements (fund 0811, GLA's 971) must be reflected as a reduction to appropriations available. Because GOB projects receive funds on a reimbursement basis, project cash balances are often negative. **Capital projects with negative cash balances that are awaiting reimbursement must be reported as such on the financial statement template forwarded to DOA**. **Do not increase appropriations available to cover the negative cash balances on the financial statement template**.

Please use the following table to assist with recording expenses:

Entry to record current year (CY) expenses and reclassify capital asset expenses	Expenses (fund 0811, GLA 901/902 for capitalizable and noncapitalizable assets) Appropriation Available – GOB (for amounts reimbursed by Treasury in current year – GLA 971) Cash (represents the difference between CY expenses and CY reimbursements from Treasury) Capital Assets (by category for capitalizable assets) Expenses (reclassification of capital asset expenses)

D. Expenses (Fund 0811, GLA 901) that are payable at June 30 but are processed through CARS during the next 12 months should be accrued on the financial statement template. Please use the following tables for recording accrued expenses and for calculating total final current year expenses and total project-to-date expenses.

Entry to record accrued expenses	Capital Assets (by category for capitalizable assets) Expenses (noncapitalizable assets) Accounts Payable

General Obligation Bonds (continued)

How to calculate total final current year expenses?	Total year end expenses per CARS, GLA 901 & GLA 902 (from Step C.) plus Accounts Payable (from the table above) equals Total final current year expenses

How to calculate total project-to-date expenses?	Total final current year expenses (from the table above) plus CARS expenses (fund 0811, GLA 901 and 902) for FY 1993 through FY 2005 Equals Total project-to-date expenses

E. The total project-to-date allotment for fund 0811 (from Step A.) must be compared to the total project-to-date expenses (from Step D). The result of this comparison may be a negative number, indicating more expenses than allotments, or a positive number, indicating more allotments than expenses. No action is required if the allotments are greater than the expenses; however, an entry is required if expenses are greater than allotments. Please use the following tables for assistance.

How to compare project-to-date allotments to project-to-date expenses?	Total project-to-date allotments (from Step A.) less Total project-to-date-expenses (from Step D.) equals Negative or positive number
If the result is a ……	**Then …………**
Negative number (DPB must have approved additional allotments to cover this amount.)	Prepare the following entry: Due from the Commonwealth Appropriation Revenue-GOB
Positive number	No entry required by the HEI

21st Century Bond Program

The 21st Century Program was created in 1996. Proceeds from the sale of bonds under this program are used to finance or refinance specified capital projects. These projects must be authorized by and are solely payable from appropriations.

A. Each HEI is allocated a certain amount to spend. As expenses are incurred, Treasury is notified and must reimburse the HEI for the amount spent. Because 21st Century projects receive funds on a reimbursement basis, project balances are often negative.

Please use the following table as guidance in preparing the 21st Century entries on the financial statement template.

B. Calculate the total project-to-date allotments per CARS for fund 0817. This includes all projects the HEI has in fund 0817.

How to calculate project-to-date allotments?	CARS expenses (fund 0817, GLA 901 and 902) for FY 1997 through FY 2005 Plus FY 2006 CARS allotments (fund 0817, GLA 102) Equals Total project-to-date allotments

C. Compare project-to-date allotments (from Step B.) to the Appropriation Revenue reported by the HEI for FY 1997 through FY 2005. The result of that comparison will be an adjustment to either increase or decrease Appropriation Revenue. Use the following table to determine the appropriate entry for the HEI's Appropriation Revenue.

If project-to-date allotments are (greater / less) than total appropriation revenue for FY 1997 through FY 2005,	**Then recognize…..**	**Entry**
Greater	Additional appropriation available and appropriation revenue.	Appropriation Available – 21st Appropriation Revenue-21st
Less	A reversion to the Commonwealth.	Appropriation Revenue – 21st Due to the Commonwealth

21st Century Bond Program (continued)

Use the following to assist in verification of Appropriation Revenue.

How to verify appropriation revenue from Step C?	Total 21st Century appropriation revenue (less reversions, if any) reported on the financial statements for FY 1997 through FY 2006 should equal the calculated amount for project-to-date allotments from Step B.

D. Expenses per CARS (fund 0817, GLA 901, 902) must be recorded for the fiscal year. Treasury reimbursements (fund 0817, GLA 972), must be reflected as a reduction to appropriations available. Because 21st Century projects receive funds on a reimbursement basis, project cash balances are often negative**. Capital projects with negative cash balances that are awaiting reimbursement must be reported as such on the financial statement template forwarded to DOA. Do not increase appropriations available to cover the negative cash balances on the financial statement template.**

Please use the following table to assist with recording expenses:

Entry to record current year (CY) expenses and reclassify capital asset expenses	Expenses (fund 0817, GLA 901/902 for capitalizable and noncapitalizable assets) Appropriation Available – 21st (for amounts reimbursed by Treasury in current year – GLA 972) Cash (represents the difference between CY expenses and CY reimbursements from Treasury) Capital Assets (by category for capitalizable assets) Expenses (reclassification of capital asset expenses)

E. Expenses (Fund 0817, GLA 901) that are payable at June 30 but are processed through CARS during the next 12 months should be accrued on the financial statement template. Please use the following tables in recording accrued expenses and for calculating total final current year expenses and total project-to-date expenses.

Entry to record accrued expenses	Capital Assets (by category for capitalizable assets) Expenses (noncapitalizable assets) Accounts Payable

21st Century Bond Program (continued)

How to calculate total final current year expenses?	Total year end expenses per CARS, GLA 901 & GLA 902 (from Step D.) plus Accounts Payable (from the table above) equals Total final current year expenses

How to calculate total project-to-date expenses?	Total final current year expenses (from the table above) plus CARS expenses (fund 0817, GLA 901 and 902) for FY 1997 through FY 2005 equals Total project-to-date expenses

F. The total project-to-date allotment for fund 0817 (from Step B.) must be compared to the total project-to-date expenses (from Step E.). The result of this comparison may be a negative number, indicating more expenses than allotments, or a positive number, indicating more allotments than expenses. No action is required if the allotments are greater than the expenses; however, an entry is required if expenses are greater than allotments. Please use the following tables for assistance.

How to compare project-to-date allotments to project-to-date expenses?	Total project-to-date allotments (from Step B.) less Total project-to-date-expenses (from Step E.) equals Negative or positive number
If the result is a …………	**Then …………**
Negative number (Additional allotments must be provided to the institution to cover this negative amount.)	Prepare the following entry: Due from the Commonwealth Appropriation Revenue-21st Century
Positive number	No entry required by the HEI

Pooled Bond Program

The Pooled Bond Program was created by the 1996 Session of the General Assembly and the first bonds were issued in September 1997. Proceeds from the sale of bonds under this program are used to finance or refinance specified capital projects. These 9(d) bonds are payable from institution revenues, not General Fund appropriations. As expenses are incurred, the Trustee is notified and must reimburse the HEIs for the amount spent. Because of the delays in processing requisitions, there may be a negative cash situation, as with GOB and 21st Century entries. Please use the following table as guidance in preparing entries for the Pooled Bond Program. (Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

College/University Accounting Entry	Pooled Bond Activity

Cash
Expenses (for any closing costs (see Note B)and/or bond discounts (see Note A) that are applicable)
    Revenue – Miscellaneous (for any premium associated with the agreement–see Note A)
    Note Payable **(DO NOT use Bonds Payable because Pooled Bond is an actual Note between VCBA and the institution*)***
 	
Note A: These line items can be used if amounts are immaterial. If amounts are material, bond discounts/premiums should be reported on the Notes Payable line item and amortized over the life of the note.
 	
Note B: This entry assumes that closing costs are immaterial and will be expensed. However, if you amortize the institution's closing costs, please continue to do so using the methodology that is appropriate for the institution.
	Record the agreement between VCBA and the HEI

Cash Revenue – Investment earnings	Record accrued interest revenue
Expenses (capitalizable and noncapitalizable assets) Cash	Expenses incurred on capital project
Note Payable (Principal retirement -for principal payment) Expenses (Interest on long term debt - for interest payment) Cash	To pay principal and interest payments using cash from the HEI's operating revenue
Capital Asset (by category for capitalizable assets) Expenses	Reclassify expenses for capitalizable assets

Pooled Bond Program (continued)

B. The portion of the expenses in fund 0815, GLA 901, that are applicable to the Pooled Bond Program and that are payable at June 30, but are processed through CARS during the next 12 months should be accrued on the financial statement template.

Entry to record accrued expenses	Capital Assets (by category for capitalizable assets) Expenses (noncapitalizable assets) Accounts Payable

C. During FY 2005, there were some refundings. GASBS No. 23 must be followed to properly report these refundings. GASBS No. 23 requires the difference between the reacquisition price and the net carrying amount of the old debt to be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The entries below are some simple examples of the entries needed; however, refer to GASBS No. 23 for additional guidance. You should have already received from VCBA staff at closing, all of the relevant information pertaining to the refunding transactions. This information should be used in calculating the required GASBS No. 23 adjustments. If necessary, contact VCBA staff for information regarding the refundings.

Example 1)	Reacquisition price (repay previously issued debt)	$100,000
	Net carrying amount of old debt	90,000
	Loss on refunding	$ 10,000

Notes Payable (old debt)	$90,000		To record the refunding of the old debt when there is a loss
Notes Payable (loss)	10,000		
Cash		$100,000	

Interest Expense (see Note A)	1,000		Annual entry to record the amortization of the loss (This example assumes 10 years as the amortization period.)
Notes Payable		$1,000	
Note A: Debit the operating and nonoperating expense line item on the financial statement template.			

Pooled Bond Program (continued)

Example 2)	Reacquisition price (repay previously issued debt)	$100,000
	Net carrying amount of old debt	110,000
	Gain on refunding	$ 10,000

Notes Payable (old debt)	$110,000		To record the refunding of the old debt when there is a gain
Cash		$100,000	
Notes Payable (gain)		10,000	

Notes Payable	1,000		Annual entry to record the amortization of the gain (This example assumes 10 years as the amortization period.)
Interest Expense (see Note A)		$1,000	
Note A: Credit the Operating and Nonoperating expense line item on the financial statement template.			

Virginia Public Building Authority (VPBA)

Per Section 2 of the Appropriations Act, the Virginia Public Building Authority (VPBA) provides funding to some HEIs based upon available VPBA proceeds. The funding is used for capital project purposes.

A. General Instructions
Each institution will process expenses for the projects in CARS. The posted expenses will create a negative cash balance in fund 0821**.** After processing the expenses, the institution will request reimbursement from Treasury. At that time, Treasury will contact the Trustee for reimbursement, which will be wired to the Commonwealth's General Account. At that time, Treasury will process a DC to the appropriate institution. The DC will increase the institution's cash balance and will increase GLA 972 (Sale of Revenue Bonds). The following entries are to be used for expenses recorded in fund 0821. Note: Some institutions may use fund 0820 to record this activity. Modify procedures accordingly if fund 0820 is used.

B. Calculate the total project-to-date allotments per CARS for fund 0821. This includes all projects *the* HEI has in fund 0821.

How to calculate project-to-date allotments?	CARS expenses (fund 0821, GLA 901 and 902) for FY 1998 through FY 2005 Plus FY 2006 CARS allotments (fund 0821, GLA 102) Equals Total project-to-date allotments

C. Compare project-to-date allotments (from Step B.) to the Appropriation Revenue reported by *the* HEI for FY 1998 through FY 2005. The result of that comparison will be an adjustment to either increase or decrease Appropriation Revenue. Use the following table to determine the appropriate entry for *the* HEI's Appropriation Revenue.

If project-to-date allotments are (greater / less) than total appropriation revenue for FY 1998 through FY 2005,	**Then recognize**	**Entry**
Greater	Additional appropriation available and appropriation revenue.	Appropriation Available – VPBA Appropriation Revenue-VPBA
Less	A reversion to the Commonwealth.	Appropriation Revenue – VPBA Due to the Commonwealth

Virginia Public Building Authority (VPBA) (continued)

Use the following to assist in verification of Appropriation Revenue.

How to verify appropriation revenue from Step C?	Total VPBA appropriations revenue (less reversions, if any) reported on the financial statements for FY 1998 through FY 2006 should equal the calculated amount for project-to-date allotments from Step B.

D. Expenses per CARS (fund 0821, GLA 901, 902) must be recorded for the fiscal year. Treasury reimbursements (fund 0821, GLA 972), must be reflected as a reduction to appropriations available. Because VPBA projects receive funds on a reimbursement basis, project cash balances are often negative. **Capital projects with negative cash balances that are awaiting reimbursement must be reported as such on the financial statement template forwarded to DOA. Do not increase appropriations available to cover the negative cash balances on the financial statement template.**

Please use the following table to assist with recording expenses:

Entry to record current year (CY) expenses and reclassify capital asset expenses	Expenses (fund 0821, GLA 901/902 for capitalizable and noncapitalizable assets) Appropriation Available – VPBA (for amounts reimbursed by Treasury in current year – GLA 972) Cash (represents the difference between CY expenses and CY reimbursements from Treasury) Capital Assets (by category for capitalizable assets) Expenses (reclassification of capital asset expenses)

E. Expenses (Fund 0821, GLA 901) that are payable at June 30 but are processed through CARS during the next 12 months should be accrued on the financial statement template. Please use the following tables in recording accrued expenses and for calculating total final current year expenses and total project-to-date expenses.

Entry to record accrued expenses	Capital Assets (by category for capitalizable assets) Expenses (noncapitalizable assets) Accounts Payable

Virginia Public Building Authority (VPBA) (continued)

How to calculate total final current year expenses?	Total year end expenses per CARS, GLA 901 & GLA 902 (from Step D.) plus Accounts Payable (from the table above) equals Total final current year expenses

How to calculate total project-to-date expenses?	Total final current year expenses (from the table above) plus CARS expenses (fund 0821, GLA 901 and 902) for FY 1998 through FY 2005 equals Total project-to-date expenses

F. The total project-to-date allotment for fund 0821 (from Step B.) must be compared to the total project-to-date expenses (from Step E.). The result of this comparison may be a negative number, indicating more expenses than allotments, or a positive number, indicating more allotments than expenses. No action is required if the allotments are greater than the expenses; however, an entry is required if expenses are greater than allotments. Please use the following tables for assistance.

How to compare project-to-date allotments to project-to-date expenses?	Total project-to-date allotments (from Step B.) less Total project-to-date-expenses (from Step E.) equals Negative or positive number
If the result is a …………	**Then …………**
Negative number (Additional allotments must be provided to the institution to cover this negative amount.)	Prepare the following entry: Due from the Commonwealth Appropriation Revenue-VPBA
Positive number	No entry required by the HEI

Virginia Energy Leasing Program/Energy Performance Contracts

The Treasury Board administers the lease financing program for energy efficiency projects. These projects are intended to reduce energy consumption and demand or allow for the use of an alternative energy source. In some cases these projects are funded through escrow financing. A bank account is established for the institution to purchase equipment or pay for other project expenses over a certain period of time. This type of funding should be reported as installment purchase obligations. Below are example entries of how to record activity related to the escrow funding of these projects. (Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

Cash Installment Purchase Obligations	Record escrow funds to be used by the HEI for the energy efficiency projects.

Expenses Cash	Record payments to contractors from the escrow funds.
Capital Assets Expenses	Reclassify expenses that meet capitalization threshold.

Interest Expense (see Note A) Installment Purchase Obligations Cash Note A: Debit the operating and nonoperating expense line item on the financial statement template.	Payment on installment purchase obligation

Cash General Revenue – Investment Earnings	Record investment earnings on escrow funds.

Capital Assets (for capitalizable equipment) Expenses (for noncapitalizable equipment) Accounts Payable	Institution identifies payable vouchers at June 30.